Changes in Capitalism During the War

BY E. VARGA

FOR THE second time in a quarter of a century the imperialist bourgeoisie is driving millions of proletarians to mutual slaughter, driving the population of whole continents into starvation and untold suffering. The big bourgeoisie has inflicted this disaster upon mankind not by their own "free will," not because of a whim, but in obedience to the inexorable laws of imperialism, which make wars for the re-division of the world inevitable. Remembering what occurred during and after the first imperialist war, the big bourgeoisie (or, at all events, the wisest of its representatives) is well aware of the dangers involved in the second imperialist war for capitalist society, particularly in the vanquished countries. It is mobilizing all its forces and is waging a struggle on two fronts: against the external enemy—its imperialist rivals—and against "the enemy at home"—the revolutionary working class, the masses of the peasantry and the progressive intelligentsia. This double task entails changes in the economics and politics of present day capitalism, which to a far larger extent than in the first World War is being, as Lenin said, *transformed from monopoly capitalism into monopoly war state capitalism*. Lenin described this state monopoly capitalism as follows:—

> ". . . state monopoly capitalism is the complete *material* preparation for Socialism, the *prelude* to Socialism, a rung in the ladder of history between which and the rung called Socialism *there are no intermediate rungs*. (Lenin-Stalin, 1917, p. 452).

Let us examine the main trends of the changes in capitalist economy in this second imperialist war. The present war is causing a general diminution in real wealth in the belligerent countries far more rapidly than the World War did. This is due to the following reasons:—

The present war is a "total war" to a far larger extent than the World War was. The war is not being waged only against the enemy's army and navy, but also against his economic resources, and against the whole people. The devastation caused by aerial warfare, which is assuming ever greater importance in modern war, is greatly accelerating this process of impoverishment. On the other hand, the war is being waged not only by armies, navies and air forces, but literally by the whole people. The activities of the workers in the factories, the peasants in the fields, the scientists in their laboratories and the housewives in their kitchens, are all subordinated to the war. All of them, in their way, are contributing either to success or failure in the war.

The present war is much more costly than the first World War. It costs ever so much more in the present war to equip an army which now needs tanks, motor-trucks and aircraft, anti-tank and anti-aircraft guns, and vast quantities of machine guns and automatic rifles. Not only are

armies more heavily armed, but the weapons themselves cost more than they did in the World War, not only in money,* but also in labour time. The cost of producing a battleship, a gun, a tank or an airplane** is many times higher than it was in the first imperialist war. This means that a much larger part of the labour product in the belligerent countries assumes the form of war materials of every kind, and consequently, a much smaller amount is left available to replace used up capital and to supply the individual needs of the civilian population. This gives rise in the belligerent countries to the necessity of constantly increasing state control of capitalist economy.

If the bourgeois state, which represents the class interests of the big bourgeoisie as a whole, allowed the capitalist system to run its own way during the war, if it did not deeply penetrate into the process of capitalist production with a view to controlling it, the following would result. The prices of all commodities would rapidly rise. The limited supplies of consumers' goods would be largely bought up and hoarded by the well-to-do classes. The labour power of the industrial workers, the regular reproduction of which is essential for the continuous production of all war materials, could not be maintained owing to the malnutrition of the workers. Output would rapidly sink, and this would mean defeat in the war and the acceleration of the revolutionary crisis at home. It is therefore in the interests of the big bourgeoisie to ration, at prices fixed by the state, the limited available quantities of consumers' goods among the working people commensurate with the importance of the work they are doing for the conduct of the war. Workers engaged on heavy work get more meat and fats than other workers, and those engaged on the heaviest work get more than those engaged in heavy work.

This "fair" distribution of consumers' goods also serves to combat the "enemy at home," since it is drilled into the workers' minds that "all citizens equally bear the burdens of the war," and that as far as the distribution of food is concerned the workers even have priority over the well-to-do classes. But the bourgeoisie can satisfy its requirements by purchasing the available supplies of the more costly articles of food, such as game, poultry, fruit, choice vegetables, etc., the sale of which is not controlled, and which the workers cannot afford to buy. As for clothes, underclothing, footwear, etc., the bourgeoisie always have supplies to last them for many years.

If the capitalist state did not intervene in the distribution of raw materials in the interests of the bourgeoisie as a whole, these raw materials, in consequence of the anarchy of the capitalist market, would be bought up by those capitalist firms that could pay the highest price for them. Enterprises that are directly or indirectly of the highest importance for the conduct of the war might be left without raw materials.

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* At the end of 1940, England's expenditure amounted to £12,000,000 per day. Germany's expenditure—if we take the increase in the national debt and two-thirds of the revenues from taxation as war expenditure—amounts to from five to five and a half milliard marks per month.

**Information from various sources clearly indicate that the average cost of the airplanes that Great Britain buys in the United States is no less than $100,000 each.

That is why the state in all belligerent countries controls raw materials* and distributes them among the capitalist enterprises commensurate with their importance in the conduct of the war.** This state control of raw materials is at the same time an important method of increasing the power of capitalist monopoly at the expense of the medium and small enterprises, and particularly of the small artisans, who as a consequence of the shortage of raw materials brought about by the war are compelled to give up their—often fictitious—independence and become wage workers.

If the bourgeois state allowed the economy of the country to run its own way during the war, the available means of production in the country would be used to manufacture goods that were useless, or of minor use for war purposes. The present total war, however, demands that the whole productive capacity of the country be adapted to war purposes, the more so that if the war lasts a long time, the normal replacement of used up fixed capital will become impossible. That is why the state in the belligerent countries controls the utilization of the means of production in the interests of the big bourgeoisie as a whole, and decides which articles, and in which quantities, shall be produced in the different enterprises.

The present total war is causing a shortage of labour, particularly of skilled metal workers. If the state in the belligerent countries allowed the customary anarchy to prevail on the labour market the capitalist employers would entice workers away from each other by the offer of higher wages. This would be neither in the interests of the bourgeoisie as a whole, nor guarantee continuity in the production of war materials. That is why workers are prohibited from changing their jobs, and why the state is distributing labour power. For the same reason the state is controlling the transport system: allocating the available shipping for transporting cargoes that are most important for the conduct of the war, controlling railways and motor transport, controlling exports and imports, etc. The machinery of state control in wartime—once it is set in motion in one sphere of economic life—must necessarily extend to other spheres until the whole capitalist economy is brought under state control, and monopoly capitalism is transformed into monopoly war state capitalism.

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. . . The war monopoly state capitalism of the big imperialist countries is not confined to its own countries, but extends to other countries in various ways. For example, the British government has bought the whole of the wool clip in Australia, New Zealand and South Africa, the whole of the

* The control and distribution of raw materials extends not only to newly produced materials, but also to old materials that can be temporarily or permanently diverted from their hitherto peaceful uses. The iron gates and fences of parks and gardens, copper and aluminium domestic utensils, church bells, etc., are mobilised for war purposes no less than waste paper, waste textile fabrics, etc.

**The only exception is the United States, where, owing to the abundance of raw materials in the country, state control has not been established. The state confines itself to importing and storing large quantities of materials that are essential for war purposes and are totally lacking, or scarce, in the country. Among these are tin, manganese, copper, antimony, etc.

cotton crop in Egypt, the whole of the cocoa crop in the French colonies that are controlled by de Gaulle, etc. The economy of the United States is being largely adjusted to meet Great Britain's war requirements. Germany not only controls the economy of the occupied territories, but exercises far-reaching influence on the economy of countries like Hungary, Yugoslavia, and Rumania.* She enters into contracts with those countries for the cultivation and delivery of oilseeds at prices fixed beforehand by the respective governments, for the delivery of ores, hogs, etc. The governments also make mutual arrangements as to the kinds and price of manufactured goods Germany is to deliver in payment, and also the rates of exchange of their currency.

The organisation of war monopoly state capitalism calls for an immense increase in the state apparatus. Millions of people are withdrawn from the sphere of production to arrange for and control the purchase and distribution of foodstuffs, raw materials, manufactured consumers' goods, machinery, transport facilities and labour power. Thus, the state control of capitalist economy, which necessarily arises in order rationally to direct the inadequate supplies of the elements of capitalist production into the channels necessary for conducting the war, dialectically becomes a factor in the further impoverishment of the country.

Under war monopoly state capitalism the power of the state apparatus over the individual worker is almost unlimited. The state apparatus decides where the worker shall work, how long he shall work, how much he shall be paid, how much and what he shall eat, what he should or should not read, what he should or should not hear over the radio, what he may talk about, and what he must remain silent about. This power also extends over the peasants, the artisans, the small shopkeeper, and over all working people. The big bourgeoisie uses this apparatus to strengthen its power over the working people and to safeguard its profits.

In order to counteract the growing discontent of the masses, the cry has been raised in many countries that this time the bourgeoisie must not make any war profits;war profits must be taxed 100 per cent.; dividends must be kept within pre-war limits, etc. Needless to say, the big bourgeoisie, which controls the state apparatus, has numerous ways and means of circumventing these laws that are passed to pacify the working people . . .

The leadership and personnel of the controlling apparatus are not quite the same in all countries. In the United States and Great Britain big capitalist magnates are openly at the head of all the most important war economic state capitalist organizations : Knudsen, former director of General Motors in the United States, Lord Beaverbrook and others, in Great Britain. To weaken the resistance of the workers to the oppression of the state capitalist apparatus reformist trade union leaders and labour politicians were extensively brought into this apparatus: Bevin, Attlee, Greenwood and Morrison in Great Britain, and Hillman in America. The "theory," familiar to us from the World War, that war state

* This article was written before the recent changes in the Balkans. [Ed. L.M.]

capitalism is "war socialism," has been revived and put into circulation. Taught by their experience of the last World War, however, the masses of the workers in the capitalist countries will have nothing to do with this "theory."

In some countries the apparatus of State capitalism differs somewhat from that in the Anglo-Saxon countries. The capitalists themselves remain more in the background and push the military and professional politicians, the majority of whom have risen to the position of the big bourgeoisie, into the foreground. Instead of reformist leaders it is these representatives of the ruling party known to the workers who are performing the function of adjusting the working class and all working people to the requirements of the war and to the interests of the imperialist bourgeoisie.

Thus, all along the line we see the two-fold function of war monopoly state capitalism : to organise and centralise all the economic resources of the country for war against the external enemy; and to organise all the forces of the bourgeoisie and of its state against the "enemy at home," against the revolutionary working class and the masses of the working people.

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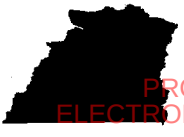
Important though the role of the present war in the development of state capitalism may be, it would be quite wrong to attribute this development entirely to the war. Its roots lie far deeper. The war is merely accelerating and extending the trends that have been operating throughout the period of the general crisis of capitalism.

The methods by which the bourgeoisie utilises the state have undergone considerable change since the bourgeoisie has been in power. At the time when, with the assistance of the masses of the working people, the bourgeoisie overthrew the feudal state and released the productive forces of society from the fetters of feudalism, it restricted the functions of the state mainly to the protection of private property.

This was the period of the predominance of the "Manchester School," of free trade, when the theory that predominated among the bourgeoisie was that the state must not interfere in capitalist economy. This was the period of the rapid expansion of capitalist markets, when the contradiction between the unlimited tendency of capital to expand and the relatively limited consuming capacity of capitalist society found expression in periodical crises of over-production. On the whole, in this period, capital could find extensive investment without the direct assistance of the state.

With the development of monopoly capitalism, the contradictions between the tendency of capital to expand and the limited consuming capacity of society has asserted itself more sharply and permanently. The bourgeoisie cannot eliminate this contradiction on a general, world scale; but the bourgeoisie in each capitalist country has tried to utilise the state as a means of eliminating it within its own territories. The theories of the "Manchester School" gave way to the "theory" that the state must protect the economy of the country. This explains the efforts of the state



to protect the home market by means of high tariffs, by monopolising colonial markets for home industries, state subsidised dumping, etc.

In the period of the general crisis of capitalism the contradiction between the tendency of capital to expand and the limited consuming capacity has become still more acute and chronic. The cyclical process of capitalistic reproduction has been disturbed. The crises of over-production have become very deep and acute; they are followed by long periods of depression; the economic revival is tardy and periods of boom hardly occur. The bourgeoisie is no longer capable of utilising the available means of production to their full capacity; a very large part of fixed capital remains permanently idle. The bourgeoisie is no longer able to make use of the fertility of the soil; with the assistance of the state the crop area is reduced and large quantities of foodstuffs are withdrawn from the market and destroyed. The bourgeoisie is no longer able to employ its wage slaves; a large section of the proletariat remains permanently unemployed. The bourgeoisie is no longer able to transform its profits realised in money form into productive capital; an increasing share of these profits are accumulating as idle capital. Capitalist society is obsolete; it has become an obstacle not only to the further development of the productive forces but even to their mere utilisation.

This historical obsolescence of capitalist society serves as the basis of state capitalist development in the period of the general crisis of capitalism, also irrespective of the war. In this period there is a constant increase in armaments. The economic difference between peacetime capitalism and wartime capitalism steadily disappear.

> "When capitalists work for the defence, *i.e.*, for the government, it is obviously no more 'pure' capitalism, it is a special form of national economy. Pure capitalism means commodity production. Commodity production means work for an *uncertain* and free market. But the capitalist 'working' for the defence does not work for the market at all, he fills the orders of the government, and money is invariably advanced to him by the Treasury." (Lenin, *Collected* Works, Vol. XX, p. 236). . .

Naturally, in no country have these state capitalist measures overcome the restricted capacity of the home market. Consequently, their purpose was changed. They were no longer directed towards the attempt to expand the home market—which was shattered by the inherent laws of capitalism—but to the end of systematically adjusting production to the limits of consumption, of securing the organised reduction of production by means of compulsory cartels, the prohibition of the erection of new enterprises, etc. But this merely served to bring out more strikingly than ever the contradiction that is characteristic of present-day capitalism, namely, the vast concentration of production in vast enterprises and the very limited capacity of the home market of the small countries.

In the present war the imperialist Great Powers are making an effort to eliminate the chronic contradiction between the limits of the home market and the high concentration of capital, which demands enormous markets, by expanding the economic field, by absorbing the small countries in their own economic area.

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We think that the further progress of capitalist economy will be on the following lines:—

The longer the war lasts the more the belligerent countries will become impoverished in real wealth: the stocks of raw materials and finished goods will become exhausted, machinery, buildings and railways will become worn out, the fertility of the soil will diminish. Production will diminish correspondingly. To continue the war the belligerent countries will be compelled to control their economy still more strictly, to reduce consumption on the part of the working people still further, and compel the proletariat to make still greater exertions for the victory of their bourgeoisie. That means that war monopoly state capitalism will develop still further. But this will all the more intensify the contradiction between the two objects of modern war capitalism, between victory over the external enemy and the suppression of the revolutionary forces. The first object, victory over the external enemy, can be achieved only by subjecting the working population to ever-increasing burdens and privations. In the effort to achieve this object, namely, the victory over the external enemy, the bourgeoisie is compelled to pave the way for its own defeat by the "enemy at home." As Lenin wrote:—

> "The dialectics of history is such that the war, by extraordinarily expediting the transformation of monopoly capitalism into state monopoly capitalism, has *thereby* extraordinarily advanced mankind towards Socialism." (Lenin-Stalin, *1917*, p. 452) . . .

The Scaffolding of Servitude

The Meaning of Essential Works Orders

BY J. R. CAMPBELL

IN THE last few months, when public attention has been concentrated on the unbroken series of military defeats abroad, and the apparently unending process of muddle and corruption at home, there has been taking place, almost unnoticed, a great legal transformation of the status of the British working man. When the history of 1941 comes to be written it may be that its outstanding event will not be the Battle of the Atlantic, or the Battle of the Mediterranean, but the smooth introduction of the Essential Works Orders into the main industries of the country, with the connivance of the Trade Union bureaucracy. Already in operation in the engineering, shipbuilding, mining, merchant navy, docks, and building industries, these Orders will shortly be introduced into steel, railway, and transport.

The Background of Impoverishment

These Orders are being introduced amidst the growing impoverishment of the working class. The official cost of living index registers an increase in the cost of living of 5s. 8d. in the £. As many of the articles which are listed in the cost of living index are no longer available in sufficient quantities the workers have, in most cases, to buy dearer substitutes. It is an extremely modest estimate to say therefore that the real cost of living has increased by at least 6s. 8d. in the £. That means that a man earning £3 per week in September, 1939, requires at least £1 to bring his wages up to the level of the increased cost of living on the basis of a normal working week. A man earning £3 10s. would require £1 3s. 4d., while a man earning £4 would require £1 6s. 8d. The actual increase of wages for a normal working week are as follows:—

Engineering and Shipbuilding Works	8s. 6d. per week.
Building Workers	11/- for 44 hours. 12/- for 48 hours.
Dockers	2/- per day.
Miners	17/- (exclusive of increases on ascertainments on a district basis.)
Railway Workers	11/- (exclusive of increases for lower paid workers in September, 1939.)
Passenger Transport Workers	11/- per week.

The discrepancy between the rising cost of living and wages is becoming so terrific that voices are being heard in the capitalist camp advocating that the cost of living index be disregarded in wage negotiations altogether.